

Your Money

by Cheryl Hanson Simpson



Budget Wise

I read last week's column about budgeting and I've decided to give it a try, one more time. My problem isn't making a budget, it's sticking to it. I can't seem to get my good intentions off the page and into the real world. As soon as I'm depressed or tempted to spend I give up. How can I bring the budget to life? –Trying Hard

Last week we looked at budgeting as the foundation to building a solid financial future. Unless you have an unlimited source of income, (if you do, please let me in on that secret!) you're not going to achieve all your big financial goals without taking control over your income and expenses.

When you live without a clue as to how your money is spent, you cannot plan from one month to the next. Little expenses come as big surprises. The budget is the blueprint that shows you exactly what costs to expect, and helps you to know beforehand if your income will be enough to cover them.

The first step to successful budgeting is being honest with yourself and recording all the ways you use money. It's important to itemize every dollar you spend into different categories, and to estimate expenses that don't take place every month. The headings in your spending plan may look something like this:

INCOME	\$
EXPENSES	
Investments	
Contributions	
Insurance	
Loans	
Household	
Children's expenses	
Personal care	
Transportation	
Entertainment	
Health	
Vacation	
INCOME – TOTAL EXPENSES =	\$\$

The process of getting real with your expenses can sometimes be painful, as invariably we realize that the money coming in isn't enough to cover the money going out.

How is it possible for us to earn less than what we spend? Well, if you look at the debt side, then the answer is clear. Many people finance everyday needs by racking up high credit card balances, taking out expensive payroll loans, borrowing from friends and family, or just not paying some bills until the partner draw comes. The objective of the budget is to help you to pay for all your expenses within what you earn.

So now that we've done the paperwork, what next? How can we prevent the budget from becoming another failed New Year's resolution? Successful budgeting requires discipline and a burning desire to improve your financial life. If you're **really** fed up with your finances, make the commitment to change by following these steps:

1. **Be realistic-** If you know that entertainment or going to the salon is really important to your lifestyle, don't cut it out of your budget just to make ends meet. This will only frustrate you and make you inclined to give up the whole process. Make compromises- instead of partying from Thursday to Sunday, go out only one night for the week. Do your nails every three weeks instead of twice monthly.
2. **Keep a daily track of costs-** To be honest, this is the hardest step. Not many people will want to walk around with a notebook to record every dollar they spend. Trust me on this- record your daily spending for at least two months and you'll be surprised by how much money is spent on 'insignificant' items. After awhile, you will become so conscious of your spending that you'll automatically resist the temptation of wasting money.
3. **Review and adjust-** Once a month go back over your actual spending and compare the figures with your budgeted plans. Reviewing will show you when things are off balance. For example, when gas prices climbed, my transportation costs almost doubled. Since my salary didn't experience a corresponding increase, I had no choice but to cut back on other expenses.
4. **Get support –** Tell your family and close friends that you're trying to stick with your budget and get their help to keep you in line. You'll be surprised how effective a nagging friend can be!
5. **Don't give up!** You've been trying hard to spend within your limits, and then one month (like December), things go haywire. Don't throw in the towel and admit defeat. Learn from your errors and make spending adjustments in the following month. Whenever you are successful in sticking to the plan, reward yourself!

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